

Internal Revenue Service

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Department of the Treasury

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Date:

September 07, 2006

In Re:

Foreign Parent =

F Sub 1 =

U.S. Parent =

Seller =

F Sub 2 =

Sub 1 =

Sub 2 =

Buyer =

Holdco =

State X =

Country Y =

Business M =

Foreign Currency =

N =

O =

Stockholder 1 =

Stockholder 2 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Dear

This is in reply to your letter dated May 2, 2006, requesting rulings concerning certain federal income tax consequences of a series of transactions. The following information is provided in that letter and subsequent correspondence.

Summary of Facts

Foreign Parent is a publicly traded Country Y corporation and is the parent of a multinational group of companies.

U.S. Parent is a State X corporation and the common parent of an affiliated group that files a consolidated return. All of U.S. Parent's outstanding stock is owned by F Sub 1, a Country Y entity wholly-owned by Foreign Parent. F Sub 1 elected to be treated for federal tax purposes as a disregarded entity of Foreign Parent, effective as of the date of its formation.

Seller is a State X corporation and a second tier subsidiary of U.S. Parent. Before the transactions herein described, Seller owned a percent of the Sub 1 stock. Sub 1 is a State X corporation and has b wholly-owned U.S. subsidiaries (the "Sub 1 Subgroup"). Before the transactions herein described, F Sub 2, a second-tier Country Y subsidiary of Foreign Parent, owned the remaining c percent of the Sub 1 stock.

Buyer is a Country Y entity wholly-owned by Foreign Parent. Buyer did not engage in any activities prior to the transactions described herein.

On Date 1, Foreign Parent announced the reorganization of Business M, which has been conducted by Sub 1 and various foreign entities in the multinational group of Foreign Parent. Foreign Parent planned to transfer the entities conducting Business M to a Country Y holding company ("Holdco"), which would become the parent of the Business M group (the "Business M Group"). Foreign Parent also planned to distribute

Holdco, with the Business M Group, to its shareholders. To implement these plans, the following transactions were recently consummated (the “Restructuring Transactions”).

(i) Foreign Parent activated a “shelf entity”, Buyer, which elected to be treated as a disregarded entity for U.S. tax purposes pursuant to § 301.7701-3(c), effective as of Date 2. Foreign Parent contributed sufficient cash to Buyer to fund the acquisition of the Sub 1 stock described in paragraphs (iii) and (iv), below.

(ii) On Date 3, Sub 2, a member of U.S. Parent’s consolidated group and a sister company of Seller, assumed responsibility for certain medical, life insurance and qualified and nonqualified deferred compensation benefits for retired employees of the Sub 1 Subgroup. Seller will fund Sub 2’s costs of administering such retiree benefits.

(iii) On Date 4, pursuant to a stock purchase agreement entered into the same date, Seller sold its a percent of Sub 1 stock to Buyer for d dollars. In connection with the sale, Seller and Foreign Parent provided certain environmental and antitrust indemnities.

(iv) Also on Date 4, pursuant to a stock purchase agreement entered into that same date, F Sub 2 sold its c percent of Sub 1 stock to Buyer for e units of Foreign Currency. F Sub 2 did not provide any indemnities in connection with its sale of its c percent interest in the Sub 1 stock.

(v) Foreign Parent activated a “shelf entity”, Holdco. On Date 5, Foreign Parent and Holdco entered into an agreement (the “Contribution Agreement”) pursuant to which Foreign Parent contributed to Holdco, in exchange for Holdco stock, all of its interests in Buyer as well as interests in certain of its other subsidiaries that conduct Business M (collectively, the “Holdco Contribution”).

(vi) On Date 6, Foreign Parent made the Holdco Contribution and allocated to its public shareholders all of the shares of Holdco received in exchange for the Holdco Contribution (the “Holdco Spinoff”).

Seller expects to recognize a loss as a result of the sale of its Sub 1 stock, subject to possible limitation under § 1.337(d)-2 of the Income Tax Regulations. Seller estimates that the allowable loss will be approximately f dollars. The amount of Seller’s loss on the sale of the Sub 1 stock will increase to the extent any payments under the indemnities described in paragraphs (ii) and (iii) above are treated as purchase price adjustments.

The sale of the Sub 1 stock was effected by a purchase of the Sub 1 stock by Buyer, a disregarded entity of Foreign Parent, (rather than a direct purchase by Holdco or Foreign Parent) to permit qualification of the Holdco Spinoff for tax-free treatment under Country Y law. In addition, Buyer’s purchase of the Sub 1 stock and Foreign

Parent's subsequent contribution of its interest in Buyer to Holdco facilitated the transfer of the indemnities described in paragraphs (ii) and (iii) above and provided more favorable tax treatment of the indemnity payments under Country Y law.

Representations

U.S. Parent and Seller make the following representations with respect to the Restructuring Transactions:

- (a) Buyer's acquisition of Sub 1 was funded by a capital contribution of cash from its sole member, Foreign Parent.
- (b) Buyer did not assume any liabilities in connection with its acquisition of the Sub 1 stock.
- (c) The amount Buyer paid for the Sub 1 stock was equal to its fair market value as determined pursuant to an appraisal prepared by N and O.
- (d) Foreign Parent's interest in Buyer will not be subject to any liabilities and Holdco will not assume any liabilities in connection with its acquisition of Foreign Parent's interest in Buyer.
- (e) Holdco will not distribute any cash, notes, or preferred stock to Foreign Parent in connection with its receipt of Foreign Parent's interest in Buyer.
- (f) In the Holdco Contribution, Holdco will issue common stock to Foreign Parent in exchange for Foreign Parent's interest in Buyer that is at least equal in value to the interests in Buyer that Holdco acquires from Foreign Parent.
- (g) Holdco will not issue (i) any stock or securities to Foreign Parent for services rendered to or for the benefit of Holdco or (ii) any stock or securities in exchange for its own debt in connection with Foreign Parent's contribution of its interest in Buyer to Holdco.
- (h) Foreign Parent is not aware of any plan or intent for Holdco to redeem or otherwise reacquire any Holdco stock issued to Foreign Parent in exchange for Foreign Parent's interests in Buyer.
- (i) Sub 1 has current and accumulated earnings and profits, and, except as required by § 1.1502-33(e), will not make any adjustments to its earnings and profits as a result of the Restructuring Transactions.

(j) Prior to the contribution of Buyer to Holdco, Foreign Parent will own all of the equity interests in Buyer.

(k) Buyer is eligible to and has elected to be treated as a disregarded entity pursuant to § 301.7701 3(c).

(l) Buyer does not have any intent to change its status as a disregarded entity pursuant to § 301.7701 3(c) or to liquidate or merge into another entity.

(m) To the best knowledge of Foreign Parent, Foreign Parent does not have any shareholders that own, within the meaning of § 318(a), 5 percent or more in value of the stock of Foreign Parent, other than Stockholder 1 which, as of Date 7, owned g percent of the outstanding shares.

(n) To the best knowledge of Foreign Parent, Foreign Parent does not have any shareholders that own, within the meaning of § 318(a), 5% or more of the voting rights of the Foreign Parent shares, other than Stockholder 1 which, as of Date 7, owned h percent of the voting rights and Stockholder 2 which, as of Date 8, owned i percent of the voting rights.

(o) Sub 1 has not been a United States real property holding corporation ("USRPHC") (within the meaning of section 897(c)(2)) at any point during the five-year period ending on the date of Buyer's purchase(s) of the Sub 1 stock from Seller and F Sub 2, and it has not been a USRPHC at any time after the date of such purchases and prior to the date of the contribution of Foreign Parent's interest in Buyer to Holdco.

(p) The distribution of Holdco (including its U.S. operations) to shareholders of Foreign Parent is not being engaged in or structured with a principal purpose to avoid the provisions of § 267(f) (including, for example, by avoiding treatment as an intercompany sale or by distorting the timing of losses or deductions) within the meaning of § 1.267(f)-1(h).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows on the above described transactions:

(1) Foreign Parent's purchase of the Sub 1 stock from Seller (through its wholly-owned subsidiary, Buyer, which is disregarded for federal tax purposes) will not constitute an acquisition of stock by a related corporation within the meaning of § 304(a)(1) or (a)(2).

(2) Foreign Parent's allocation to its shareholders of the Holdco stock received in exchange for the Holdco Contribution will cause Seller's loss with respect to

the Sub 1 stock to be taken into account under §§ 1.267(f)-1(c) and 1.1502-13(d) immediately prior to such allocation.

Caveats

We express no opinion concerning the federal tax consequences of the proposed transactions under any other provision of the Code or regulations, or concerning any conditions existing at the time of, or effects resulting from, the proposed transactions that are not specifically covered by the above rulings. In particular, we express no opinion as to (a) whether the Holdco Spinoff qualifies for nonrecognition of gain or loss under § 355, or (b) the application of § 1.337(d)-2 to the sale of the Sub 1 stock by Seller, a member of the U.S. Parent consolidated group.

Procedural Statements

This ruling is directed only to the taxpayers requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by the taxpayers and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the information submitted in support of the request for rulings. Verification of this information may be required as part of the audit process.

Each taxpayer involved in the transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transaction covered by this letter is completed. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Pursuant to a power of attorney on file with this office, a copy of this letter will be sent to your authorized representative.

Sincerely yours,

Lisa A. Fuller
Senior Counsel, Branch 1
Office of Associate Chief Counsel
(Corporate)